

Property Tax Payments, 2002-2003

- Gibson County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Gibson County from \$6.1 Million in 2002 to \$10.7 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Gibson County, state tax credits

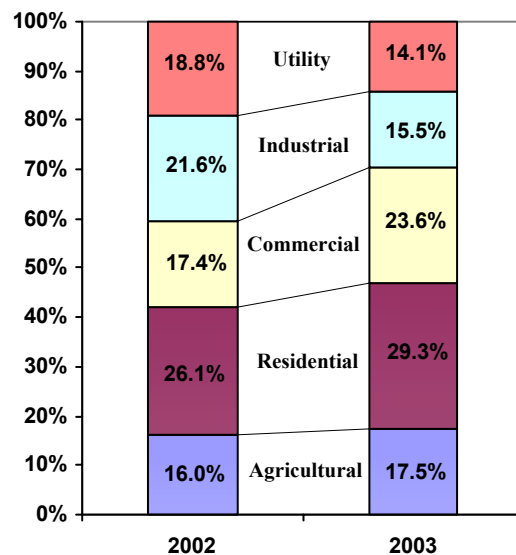
Table 1. Changes in AV and Tax Bills by Property Class for Gibson County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	78.8%	70.5%	3.9%
Residential (All)	104.9%	69.5%	6.2%
Homestead Only	107.7%	63.3%	0.8%
Commercial	78.5%	94.1%	28.6%
Industrial	35.0%	-1.1%	-32.0%
Utility	5.0%	5.0%	-29.2%
Avg. All Classes	59.3%	45.3%	-5.2%

increased from \$6.1 million to \$10.7 million, an increase of \$4.6 million. This paper provides a brief summary of how these factors changed property tax liabilities in Gibson County.

Tax Shifts. Gibson County saw a property tax shift from industrial and utility property owners to residential, agricultural, and commercial property owners. Tax bills paid by residential, agricultural, and commercial property owners increased, while tax bills paid by industrial and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential, commercial, and agricultural property increased more than the assessed values of industrial and utility property. Gross assessed values of residential property doubled. Industrial and utility assessments rose much less. These figures include the effects of new construction,

Figure 1. Share of Net Property Tax Billings in Gibson County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases. In particular, a large increase in personal property assessed value was responsible for much of the increase in commercial property taxes.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential homesteads in Gibson County saw their tax bills increase by a smaller amount than the average residential property increase. Agricultural homesteads saw a decrease in their tax bills. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

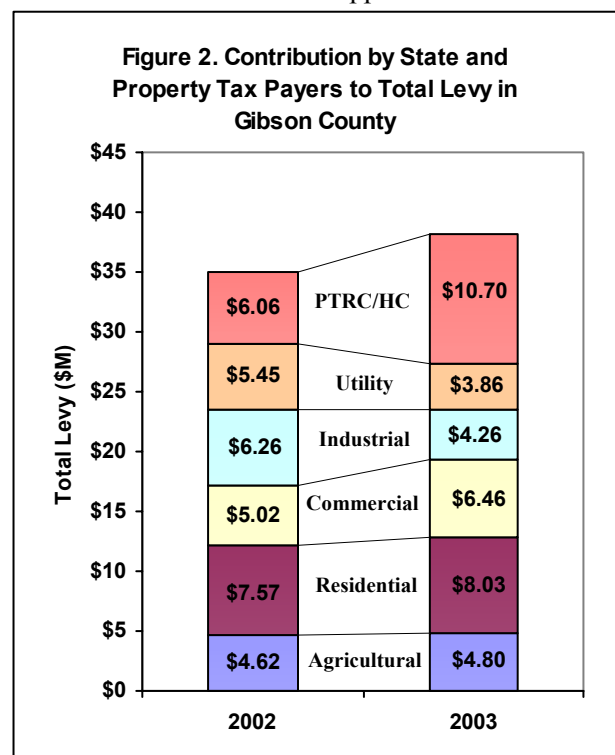
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Gibson County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, about half of homestead owners saw tax increases, and half saw decreases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Gibson County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	61.5%	49.8%	55.9%	42.5%
Decreased	38.5%	50.2%	44.1%	57.5%
Increased 100% or More	12.3%	9.0%	10.9%	7.9%
Decreased 25% or More	13.8%	16.6%	17.4%	21.7%
Average Change (\$)	\$46	-\$15	\$8	-\$59
Average Change (%)	8.4%	-2.2%	1.5%	-8.6%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, a little more than half of all residential property owners would have seen tax increases, and less than half would have seen tax decreases. For homesteads, less than half would have seen increases, while more than half would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of more homeowners than they increased.

Agriculture. Taxes on agricultural property in Gibson County by a small amount. Overall, agricultural business taxes rose while agricultural homestead taxes declined. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.



Business. Taxes on industrial and utility property fell in Gibson County because gross assessed values of industrial and utility property increased much less than residential, commercial and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased utility and industrial assessments less. The general rise in assessed values in Gibson County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like utilities and industries.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Gibson County by PTRC and state homestead credit payments increased by approximately 77%, from \$6.1 million to \$10.7 million.

Table 3 shows estimates of how Gibson County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of the tax increases. Gibson County residential property taxes increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by industrial property and reducing the tax increase for commercial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Gibson County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	16.2%	3.9%	-12.3%
Residential (All)	51.8%	6.2%	-45.7%
Homestead Only	62.9%	0.8%	-62.1%
Commercial	42.2%	28.6%	-13.6%
Industrial	-30.8%	-32.0%	-1.2%
Utility	-32.9%	-29.2%	3.7%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Gibson County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	823,425,730	183,155,187	353,564,621	292,635,367	83,697,163	159,549,786	43,458,972
Real Deductions	144,713,241	8,914,540	66,041,526	66,041,526	616,964	68,572,361	567,850
Real Net Assessed Value	678,712,489	174,240,647	287,523,095	226,593,841	83,080,199	90,977,425	42,891,122
Personal Gross Assd. Value	661,169,682	17,671,168	2,176,509	0	127,127,665	330,712,240	183,482,100
Personal Deductions	242,939,740	0	12,000	0	49,352,101	193,575,639	0
Personal Net Assd. Value	418,229,942	17,671,168	2,164,509	0	77,775,564	137,136,601	183,482,100
Total Gross Assessed Value	1,484,595,412	200,826,355	355,741,130	292,635,367	210,824,829	490,262,026	226,941,072
Total Deductions	387,652,981	8,914,540	66,053,526	66,041,526	49,969,065	262,148,000	567,850
Total Net Assessed Value	1,096,942,431	191,911,815	289,687,604	226,593,841	160,855,763	228,114,027	226,373,222
Gross Levy	35,135,287	5,572,404	9,787,174	7,531,979	5,962,528	7,380,563	6,432,618
PTRC (Calculated)	5,397,748	841,318	1,514,560	1,162,398	938,299	1,117,417	986,153
State/County Homestead Cr. (Calculated)	814,889	109,641	705,247	705,247	0	0	0
Net Levy	28,922,651	4,621,445	7,567,367	5,664,335	5,024,228	6,263,146	5,446,465
Pay 2003							
Real Gross Assessed Value	1,549,320,930	336,688,405	725,850,935	607,690,358	115,969,976	318,050,741	52,760,872
Real Deductions	458,609,048	31,881,964	237,650,556	237,650,556	1,578,210	186,705,297	793,021
Real Net Assessed Value	1,090,711,882	304,806,441	488,200,379	370,039,802	114,391,766	131,345,444	51,967,851
Personal Gross Assd. Value	814,939,040	22,488,690	2,916,100	0	166,131,626	437,788,674	185,613,950
Personal Deductions	311,991,512	0	12,000	0	62,485,880	249,493,632	0
Personal Net Assd. Value	502,947,528	22,488,690	2,904,100	0	103,645,745	188,295,043	185,613,950
Total Gross Assessed Value	2,364,259,970	359,177,095	728,767,035	607,690,358	282,101,602	755,839,416	238,374,822
Total Deductions	770,600,560	31,881,964	237,662,556	237,650,556	64,064,090	436,198,929	793,021
Total Net Assessed Value	1,593,659,410	327,295,131	491,104,479	370,039,802	218,037,511	319,640,487	237,581,801
Gross Levy	38,733,797	7,119,500	12,559,753	9,277,353	6,035,029	8,006,128	5,013,387
PTRC (Calculated)	10,414,233	2,209,618	3,726,355	2,770,407	1,434,784	1,887,251	1,156,225
State/County Homestead Cr. (Calculated)	907,156	108,127	799,028	799,028	0	0	0
Net Levy	27,412,409	4,801,754	8,034,370	5,707,918	4,600,246	6,118,877	3,857,163

COMPARISONS

Net Levy Percent Change	-5.2%	3.9%	6.2%	0.8%	-8.4%	-2.3%	-29.2%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	88.2%	83.8%	105.3%	107.7%	38.6%	99.3%	21.4%
Gross Personal AV	23.3%	27.3%	34.0%	0.0%	30.7%	32.4%	1.2%
Total Gross Assessed Value	59.3%	78.8%	104.9%	107.7%	33.8%	54.2%	5.0%
Net Assessed Value	45.3%	70.5%	69.5%	63.3%	35.5%	40.1%	5.0%
Gross Levy	10.2%	27.8%	28.3%	23.2%	1.2%	8.5%	-22.1%
Net Levy	-5.2%	3.9%	6.2%	0.8%	-8.4%	-2.3%	-29.2%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	5,247,136	9,797,882	4,550,746	86.7%
State Homestead Cr. (Abstract)	808,158	904,730	96,572	11.9%
Total State Credits (Abstract)	6,055,294	10,702,612	4,647,318	76.7%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Gibson County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,621,445	4,801,754	180,309	3.9%	16.0%	17.5%	1.5%
Residential	7,567,367	8,034,370	467,003	6.2%	26.1%	29.3%	3.2%
Commercial	5,024,228	4,600,246	-423,982	-8.4%	17.4%	16.8%	-0.6%
Industrial	6,263,146	6,118,877	-144,269	-2.3%	21.6%	22.3%	0.7%
Utility	5,446,465	3,857,163	-1,589,302	-29.2%	18.8%	14.1%	-4.7%
Exempt	32,615	10,478	-22,137	-67.9%	0.1%	0.0%	-0.1%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	28,955,266	27,422,888	-1,532,378	-5.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	4,189,734	4,420,140	230,406	5.5%	14.5%	16.1%	1.6%
Residential	7,508,102	7,982,933	474,831	6.3%	25.9%	29.1%	3.2%
Commercial	2,775,361	2,425,647	-349,714	-12.6%	9.6%	8.8%	-0.7%
Industrial	2,484,167	2,315,730	-168,437	-6.8%	8.6%	8.4%	-0.1%
Utility	989,317	719,632	-269,685	-27.3%	3.4%	2.6%	-0.8%
Exempt	32,615	10,478	-22,137	-67.9%	0.1%	0.0%	-0.1%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	17,979,296	17,874,560	-104,736	-0.6%	62.1%	65.2%	3.1%
Agricultural Homesteads	1,373,074	1,281,943	-91,131	-6.6%	4.7%	4.7%	-0.1%
Residential Homesteads	5,664,335	5,707,918	43,583	0.8%	19.6%	20.8%	1.3%
Total Homesteads	7,037,409	6,989,861	-47,548	-0.7%	24.3%	25.5%	1.2%
Non-Homestead Residential	1,843,768	2,275,015	431,247	23.4%	6.4%	8.3%	1.9%
Apartments (Over 4 Units)	512,227	635,180	122,953	24.0%	1.8%	2.3%	0.5%
<u>Personal Property Only</u>							
Agricultural	431,710	381,613	-50,097	-11.6%	1.5%	1.4%	-0.1%
Residential	59,264	51,437	-7,827	-13.2%	0.2%	0.2%	0.0%
Commercial	2,248,867	2,174,598	-74,269	-3.3%	7.8%	7.9%	0.2%
Industrial	3,778,979	3,803,147	24,168	0.6%	13.1%	13.9%	0.8%
Utility	4,457,148	3,137,530	-1,319,618	-29.6%	15.4%	11.4%	-4.0%
Total	10,975,968	9,548,325	-1,427,643	-13.0%	37.9%	34.8%	-3.1%
Total Depreciables	9,324,258	8,179,893	-1,144,365	-12.3%	32.2%	29.8%	-2.4%
Total Inventory	1,592,447	1,316,996	-275,451	-17.3%	5.5%	4.8%	-0.7%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,816,660	3,138,197	321,537	11.4%	9.7%	11.4%	1.7%
Ag Personal	431,710	381,613	-50,097	-11.6%	1.5%	1.4%	-0.1%
Total Ag Business	3,248,370	3,519,810	271,440	8.4%	11.2%	12.8%	1.6%
Ag Homesteads	1,373,074	1,281,943	-91,131	-6.6%	4.7%	4.7%	-0.1%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Gibson County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	191,911,815	327,295,131	135,383,316	70.5%	17.5%	20.5%	3.1%
Residential	289,687,604	491,104,479	201,416,875	69.5%	26.4%	30.8%	4.4%
Commercial	160,855,763	218,037,511	57,181,748	35.5%	14.7%	13.7%	-1.0%
Industrial	228,114,027	319,640,487	91,526,460	40.1%	20.8%	20.0%	-0.7%
Utility	226,373,222	237,581,801	11,208,579	5.0%	20.6%	14.9%	-5.7%
Exempt	978,975	566,900	-412,075	-42.1%	0.1%	0.0%	-0.1%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	1,097,921,406	1,594,226,309	496,304,903	45.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	174,240,647	304,806,441	130,565,794	74.9%	15.9%	19.1%	3.2%
Residential	287,523,095	488,200,379	200,677,284	69.8%	26.2%	30.6%	4.4%
Commercial	83,080,199	114,391,766	31,311,567	37.7%	7.6%	7.2%	-0.4%
Industrial	90,977,425	131,345,444	40,368,019	44.4%	8.3%	8.2%	0.0%
Utility	42,891,122	51,967,851	9,076,729	21.2%	3.9%	3.3%	-0.6%
Exempt	978,975	566,900	-412,075	-42.1%	0.1%	0.0%	-0.1%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	679,691,463	1,091,278,781	411,587,318	60.6%	61.9%	68.5%	6.5%
Agricultural Homesteads	59,470,658	92,569,519	33,098,861	55.7%	5.4%	5.8%	0.4%
Residential Homesteads	226,593,841	370,039,802	143,445,961	63.3%	20.6%	23.2%	2.6%
Total Homesteads	286,064,499	462,609,321	176,544,822	61.7%	26.1%	29.0%	3.0%
Non-Homestead Residential	60,929,254	118,160,578	57,231,324	93.9%	5.5%	7.4%	1.9%
Apartments (Over 4 Units)	15,380,227	29,458,204	14,077,977	91.5%	1.4%	1.8%	0.4%
<u>Personal Property Only</u>							
Agricultural	17,671,168	22,488,690	4,817,522	27.3%	1.6%	1.4%	-0.2%
Residential	2,164,509	2,904,100	739,591	34.2%	0.2%	0.2%	0.0%
Commercial	77,775,564	103,645,745	25,870,181	33.3%	7.1%	6.5%	-0.6%
Industrial	137,136,601	188,295,043	51,158,442	37.3%	12.5%	11.8%	-0.7%
Utility	183,482,100	185,613,950	2,131,850	1.2%	16.7%	11.6%	-5.1%
Total	418,229,942	502,947,528	84,717,586	20.3%	38.1%	31.5%	-6.5%
Total Depreciables	363,888,998	441,488,538	77,599,540	21.3%	33.1%	27.7%	-5.5%
Total Inventory	52,176,435	58,554,890	6,378,455	12.2%	4.8%	3.7%	-1.1%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	114,769,989	212,236,922	97,466,933	84.9%	10.5%	13.3%	2.9%
Ag Personal	17,671,168	22,488,690	4,817,522	27.3%	1.6%	1.4%	-0.2%
Total Ag Business	132,441,157	234,725,612	102,284,455	77.2%	12.1%	14.7%	2.7%
Ag Homesteads	59,470,658	92,569,519	33,098,861	55.7%	5.4%	5.8%	0.4%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Gibson County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	122%	85%	16%	9%
Comparable Residential Real Prop.	107%	70%	8%	2%
Comparable Homesteads	107%	59%	-2%	-9%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	608	4.9%	189	2.4%	587	4.7%	177	2.2%
200%	to 300%	186	1.5%	108	1.4%	165	1.3%	95	1.2%
100%	to 200%	734	5.9%	410	5.2%	612	4.9%	355	4.5%
50%	to 100%	1,311	10.5%	613	7.8%	1,075	8.6%	529	6.7%
25%	to 50%	1,569	12.6%	693	8.8%	1,401	11.3%	565	7.2%
10%	to 25%	1,178	9.5%	746	9.5%	1,134	9.1%	624	7.9%
5%	to 10%	491	3.9%	380	4.8%	413	3.3%	268	3.4%
0	to 5%	1,584	12.7%	785	10.0%	1,565	12.6%	732	9.3%
0	to -5%	685	5.5%	568	7.2%	524	4.2%	403	5.1%
-5%	to -10%	687	5.5%	603	7.7%	696	5.6%	575	7.3%
-10%	to -25%	1,702	13.7%	1,474	18.7%	2,104	16.9%	1,849	23.5%
-25%	to -50%	1,282	10.3%	1,033	13.1%	1,655	13.3%	1,361	17.3%
Below	-50%	430	3.5%	274	3.5%	516	4.1%	343	4.4%
		12,447	100.0%	7,876	100.0%	12,447	100.0%	7,876	100.0%
Parcels With Increases		7,661	61.5%	3,924	49.8%	6,952	55.9%	3,345	42.5%
Parcels With Reductions		4,786	38.5%	3,952	50.2%	5,495	44.1%	4,531	57.5%
Average \$ Change			\$46		-\$15		\$8		-\$59
Average % Change			8.4%		-2.2%		1.5%		-8.6%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.